



Pepper Money

Investor Presentation

CY2021 Results

24 February 2022

Today's Presenters



**Mario
Rehayem**
CEO

- Joined Pepper Money in 2011. Appointed CEO of Pepper Money in 2017
- Over 20 years experience across banking and finance
- Previously held senior positions in APRA regulated entities and the non bank sector, including as State Manager, Mortgage Broker Distribution at Westpac



**Therese
McGrath**
CFO

- Joined Pepper Money in 2018 as CFO
- 25+ years of international experience in finance, strategic development and operations
- Previously held senior positions in finance, operations and strategy at Australia and New Zealand Banking Group, Thomson Reuters, Diageo, SAP and Microsoft

Profitability

PRO-FORMA NPAT

\$141.9m

↑ 34%

Exceeded the IPO forecast of \$120.7m

STATUTORY NPAT

\$130.7m

↑ 31%

FULLY FRANKED DIVIDEND

9 cents per share

Annualised yield **5.5%**¹



CUSTOMER GROWTH

Originations \$8.5bn
Up 84% on PCP

New customers to Pepper Money
Up 48% on PCP

SHARE OF MARKET

Lending AUM \$15.8bn
Up 19%

Mortgages AUM \$12.3bn
Up 15% on PCP
2.3x systems 1H CY2021
2.6x systems 2H CY2021

Asset Finance AUM \$3.5bn
Up 33% on PCP
4.3x systems 1H CY2021
8.2x systems 2H CY2021

NET INTEREST MARGIN

Total NIM: 2.56%
down 10bps on PCP
IPO forecast **2.51%**

Mortgages 2.33%
down 20bps on PCP
IPO forecast **2.30%**

Asset Finance 3.41%
up 17bps on PCP
IPO forecast **3.32%**

SCALED GROWTH

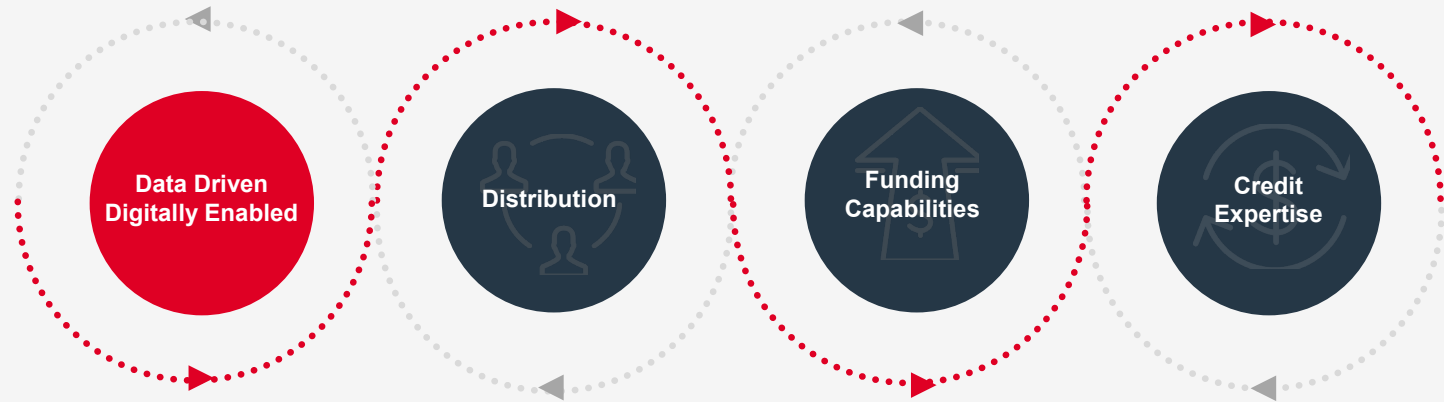
Productivity
Core productivity² up **70%**
Originations / Core FTEs

Cost to Income³
43.3%
1.3% improvement on PCP

Asset Quality
Loan Losses % AUM: **0.23%**
2bps improvement on PCP
Underlying - excludes
Management Overlays

Pepper's mission is to help people succeed

CORE COMPETENCIES



Large addressable market



MORTGAGES



ASSET FINANCE

December 2021

- **Markets grew** over CY2021
- Pepper Money **grew** share in Asset Finance and **maintained** share in a rapidly expanding Mortgage market

Total Addressable Market (AUM)

\$2,322bn¹

88% Conforming
12%² Non-Conforming

\$185bn

Consumer: \$59bn⁴
Commercial: \$126bn⁵

Pepper Money's Market Share (closing AUM)

~0.5%³

~1.9%⁶

Consumer: ~3.2%
Commercial: ~1.3%

Targeted Customer Segments

- First home buyers
- SME/self employed (e.g. including casual and gig economy)
- Minor adverse credit event in history (e.g. late utilities bill)
- Credit history impacted by "life event" (e.g. divorce)

- Used cars
- Caravans
- Commercial vehicles
- Novated lease
- Small to medium business equipment

Notes: 1. Combination of Australia and New Zealand mortgage markets as at December 2021 (Total housing credit, RBA D2 Lending and credit aggregates (including owner-occupier housing credit and investor housing credit)); Housing, RBNZ C5 Sector lending (registered banks and non-bank lending institutions), December 2021, converted at an assumed exchange rate of NZD:AUD = 0.9331). 2. Independent research conducted by Fifth Dimension Research and Consulting in March 2021. 3. Represents Pepper Money's Mortgages AUM as at 31 December 2021 (closing) as a proportion of Total housing credit. 4. New household loan commitments for purchase of road vehicles, other transport vehicles and equipment, New household loan commitments, ABS 5601.0 Lending Indicators Table 27, January 2021 – December 2021 (published February 2022). Assumes market size is approximately 4x lending commitments for last 12 months. 5. New business loan commitments, finance lease and fixed term, purchase of vehicles, plant and equipment, ABS 5601.0 Table 29, 31 and 33, January 2021 – December 2021 (published February 2022). Assumes market size is approximately 4x lending commitments for last 12 months. 6. Represents Pepper Money's Asset Finance AUM as at 31 December 2021 (closing) as a proportion of total consumer and commercial motor and equipment financing.

Australia's non-bank lending sector

PEPPER MONEY SOLUTIONS

Pepper Money provides **flexible financial solutions** across property, asset finance and personal lending in a growing market sector



Residential Property Finance



Motor Vehicle Finance



Equipment and Leasing Finance



Commercial Finance



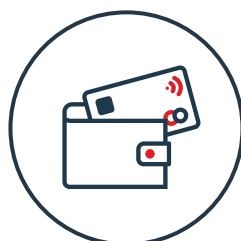
Personal Finance



Credit Cards



Buy Now Pay Later



Payday Lending

Over 600 non-bank lenders and financiers operate in the Australian market providing a range of services¹

Non bank lending sector annual growth 2014-2019

3.6%²

Projected annual growth 2019-2024

9.6%³

Sector total assets

\$356bn⁴

Accounts for:

7%¹

debt financing in Australia

5%⁵

Mortgage Lending

CY2021 Business Performance



Helping **customers** succeed

59,780 customer helped of which self employed / small business **50%**

Record originations **\$8.5bn**

Mortgages: \$6.4bn, +89%

Prime	\$3.7bn	+ 85%
Near Prime	\$2.3bn	+100%
Specialist	\$0.4bn	+ 72%

Asset Finance: \$2.1bn, +70%

Consumer	\$1.0bn	+55%
Commercial	\$1.1bn	+86%



Efficient and scalable **business** growth

Complex done simply...

Leading turnaround times:

Mortgages

Average: **6.8 hrs**
Non-Conforming: **7.0 hrs**

Asset Finance

27% auto approved in 2 secs

Core Productivity

70% uplift

CTI of 43.3%

1.3% improvement



Engaged and empowered **people**

80+ Engagement

Top 10% of high performing companies globally

Sustainability

- Employee nominated Giving (small G)
- Community programs

Diversity

Female **53** / Male **47**



Brand strength and security

69%

Leading Customer Satisfaction² for home loans

4 in 5

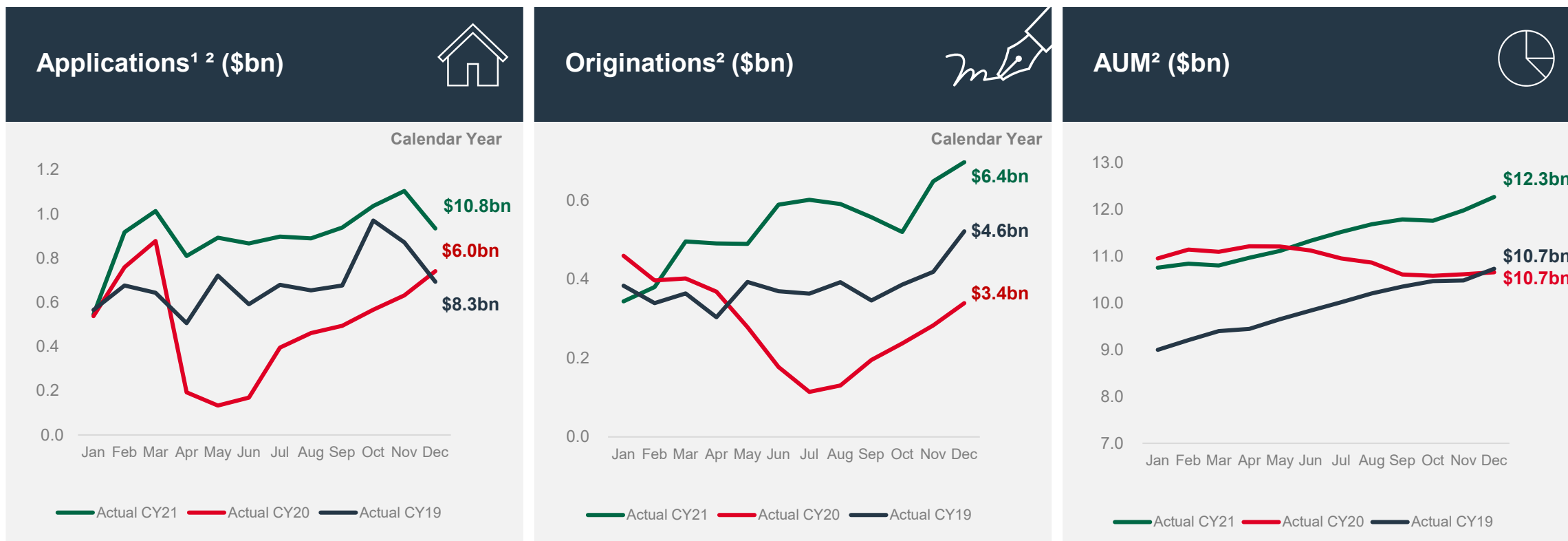
Asset Finance / Personal Loan¹ customers **are highly satisfied**

Recognised

by partners and peers

Mortgage originations grew 89% and AUM 15% in CY2021

MORTGAGES



Quarter 4 Applications

CY2021	CY2020	CY2019
\$3.1bn	\$1.9bn	\$2.5bn

Quarter 4 applications in CY2021 were **59%** above CY2020, and **21%** above CY2019.

Mortgages AUM movement

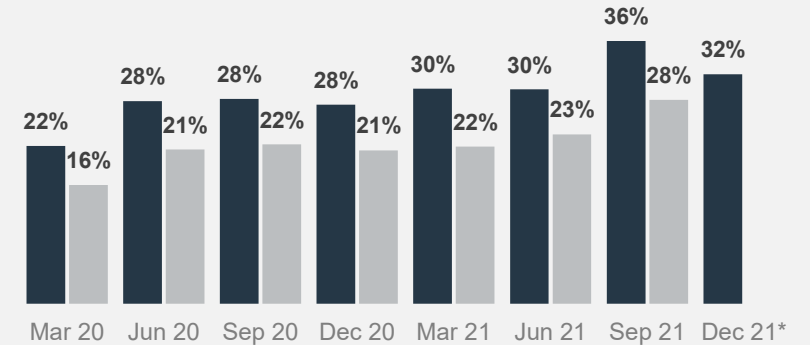
2H CY2021 – customer retention activities achieved desired results:

Pepper Money’s focus on customer retention saw Non-Conforming conditional prepayment rate (CPR) **fall below industry average in Q3 CY2021**

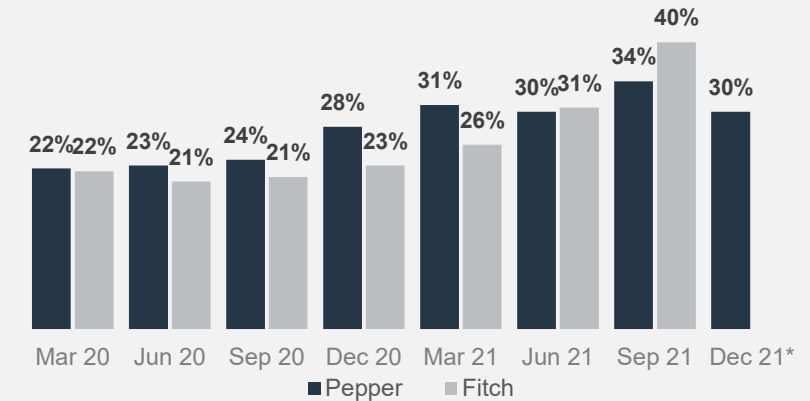
This was done through:

- Supporting the **customer through lifecycle**
- Improved **customer experience** (making it easy to stay)
- Product **cascading model** (Specialist – Near Prime – Near Prime Clear – Prime)

Prime prepayment rate benchmark²



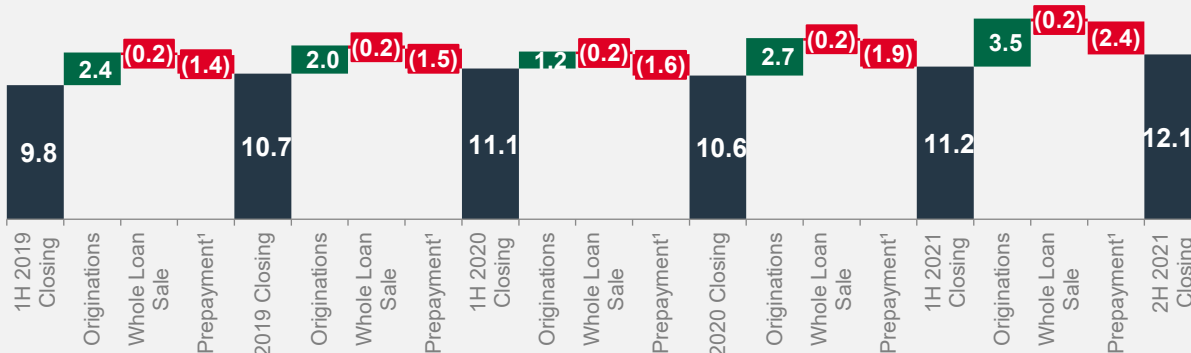
Non-Conforming prepayment rate benchmark²



Mortgages¹ AUM Walk

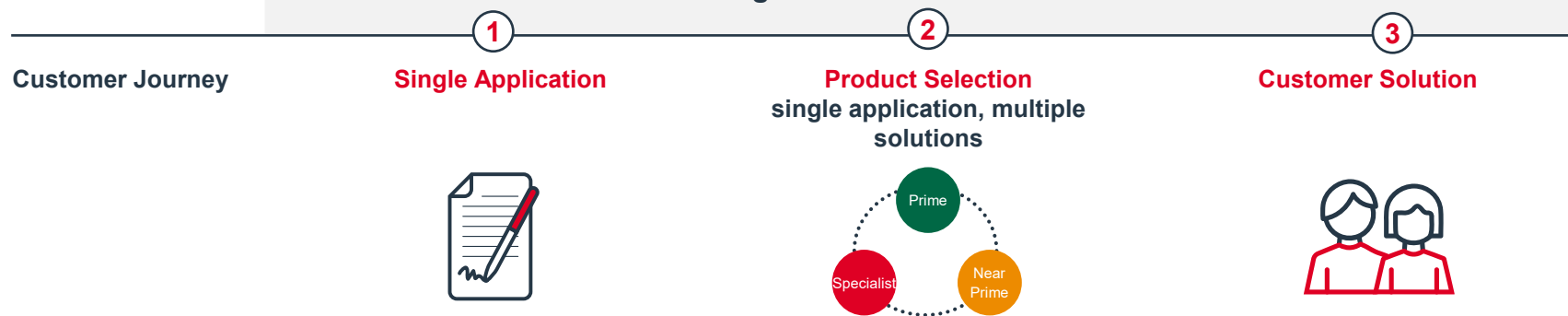
Closing AUM (A\$ B)

GROWTH³



Customer Solutions - Mortgages

Average time to solution **6.8** hours¹



CY2021	Conforming	Non-Conforming	
Product Risk Tiers	PRIME Borrowers with a clear credit history	NEAR PRIME Borrowers who have had a minor adverse credit event	SPECIALIST Borrowers whose credit history is impacted by a "life event"
Origination² composition	58%	36%	6%
Origination² Growth on PCP	\$3.7 bn +85%	\$2.3 bn +100%	\$0.4 bn +72%
AUM Close³ Growth on PCP	\$6.2 bn +20%	\$4.7 bn +15%	\$1.3 bn -3%
Weighted Average Interest Rate⁴	3.5% Weighted average interest rate ⁴	4.5% Weighted average interest rate ⁴	5.3% Weighted average interest rate ⁴

Overview of Distribution Channels²

RETAIL

Mortgage brokers managed through various aggregators

52%

WHITE LABEL

Third party originators distribute Pepper Money's products under their own brand

45%

DIRECT

Direct to consumer origination

3%

Mortgages – time to approve

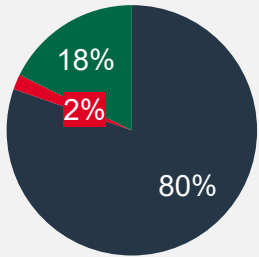
Complex done **simply...**

Mortgage Applications

First response: **6.8 hrs¹**

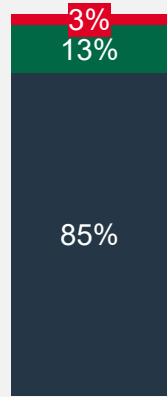
Approval rate: **80% in principle**

First Response Type



- Approved in principle
- Declined
- Request for more info

First Response Duration



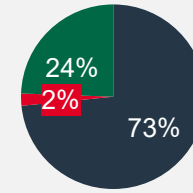
- <=1 day
- 1-2 days
- >2 days

Self-employed/small business applications

First response: **6.3 hrs¹**

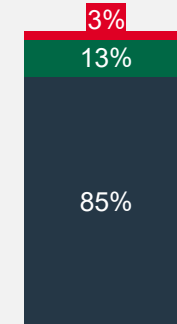
Approval rate: **73%**

First Response Type



- Approved in principle
- Declined
- Request for more info

First Response Duration



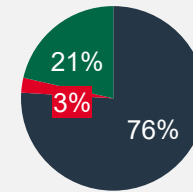
- <=1 day
- 1-2 days
- >2 days

Non-conforming applications

First response: **7.0 hrs¹**

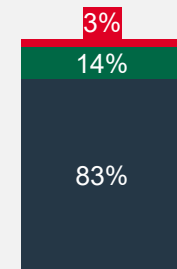
Approval rate: **76%**

First Response Type



- Approved in principle
- Declined
- Request for more info

First Response Duration



- <=1 day
- 1-2 days
- >2 days

Giving our brokers and customers confidence

Mortgages – time to approve

PEPPER PRODUCT SELECTOR

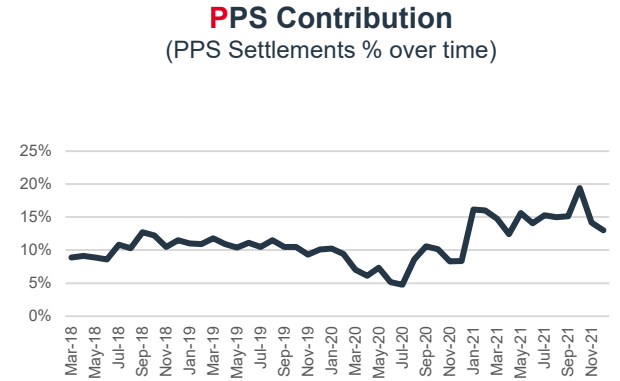
- Online enquiry
- 14 - 25 questions
- Under 2 minutes
- Eligible customers presented with a best-fit loan solution by way of an Indicative Offer, on the spot



15.3%
Settlement¹ volume through PPS as lead

15,770
Customers offered a solution²

A\$23.1bn
Applications³ since inception



PEPPER RESOLVE

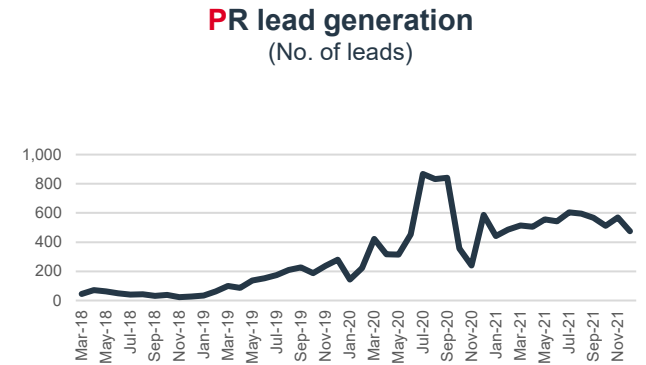
- Seamless integration into brokers' CRM
- Increase customer recommendations
- Convert more business and drive new revenue opportunities

PR

Pepper Resolve has API integration with brokers' CRM

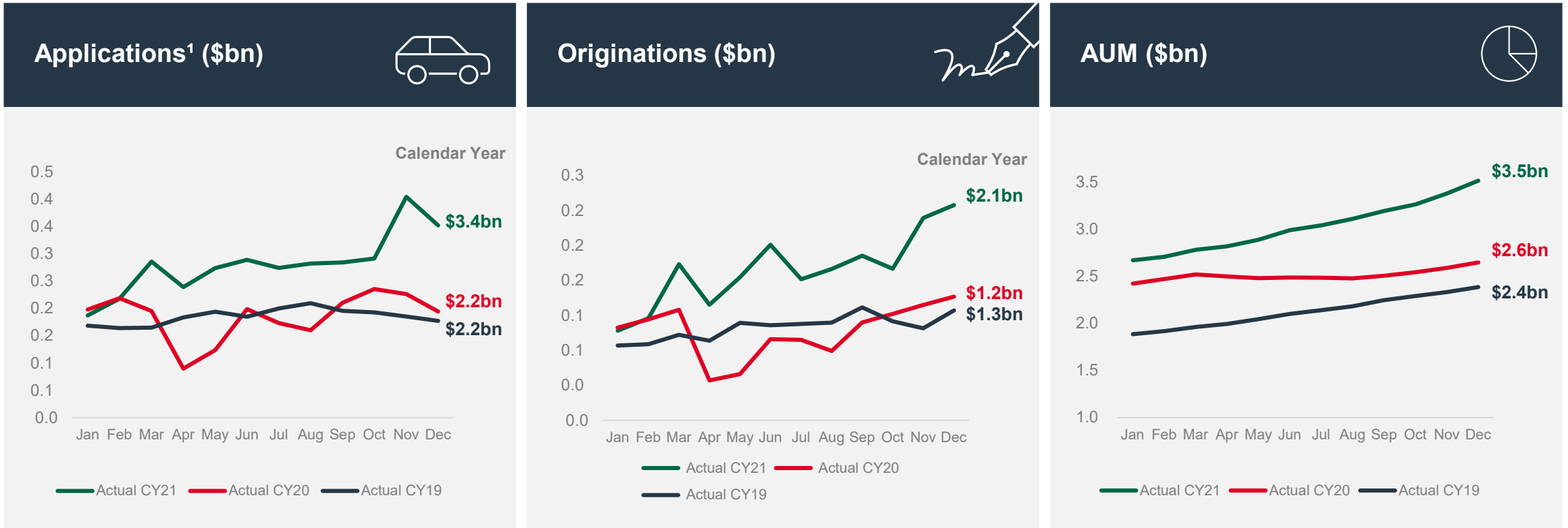
6,367
Customers offered a solution⁴

A\$7.2bn
Applications⁵ since inception



Asset Finance originations grew 70% and AUM 33% in CY2021

ASSET FINANCE



Quarter 4 Applications

CY2021	CY2020	CY2019
\$1.0bn	\$0.7bn	\$0.6bn



Quarter 4 applications in CY2021 were **60%** above CY2020, and **89%** above CY2019.

Asset Finance AUM movement

- Asset Finance prepayments includes **scheduled** and **early termination**
- Historically early terminations rates across the Asset Finance market sector are **low** given fixed term of loans
- Rates increased under COVID-19 in the Consumer product segment as increased household savings / superannuation drawdowns were applied to early terminated loans
- Rates are **back to the average** pre COVID-19

Asset Finance AUM Walk - Total



Closing AUM (A\$ B)

GROWTH²

Pepper System

+13.6%
N/A

+4.3%
N/A

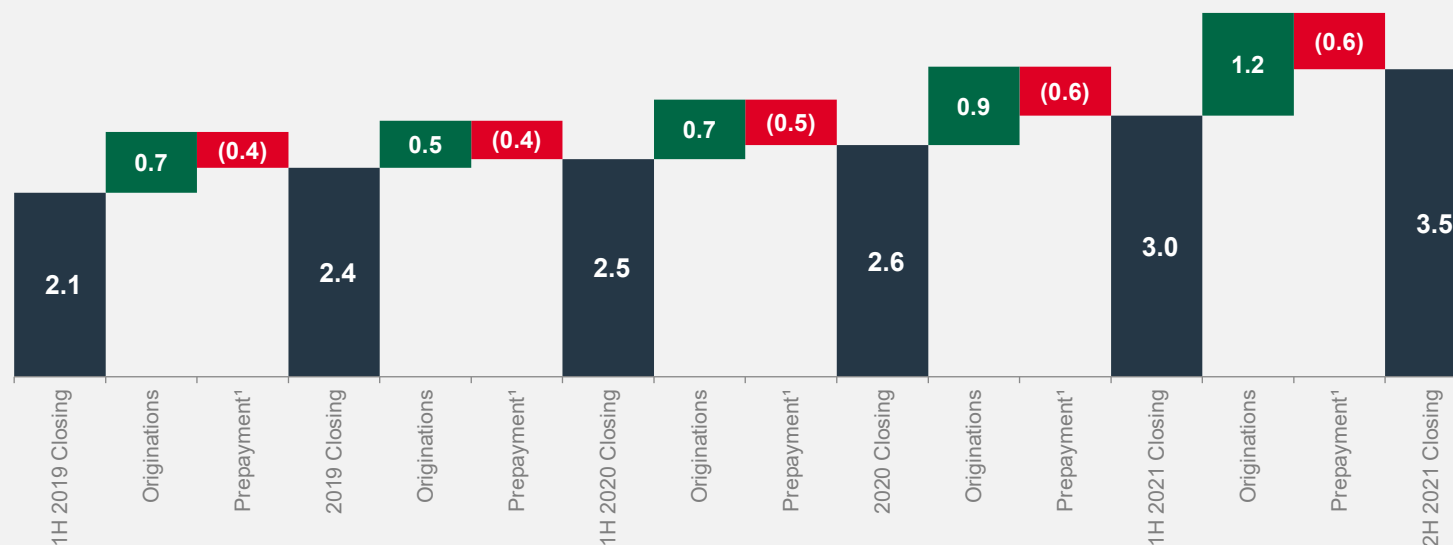
+6.4%
-3.2%

4.3x System

+12.8%
+3.0%

8.2x System

+17.8%
+2.2%



Asset Finance – time to approve

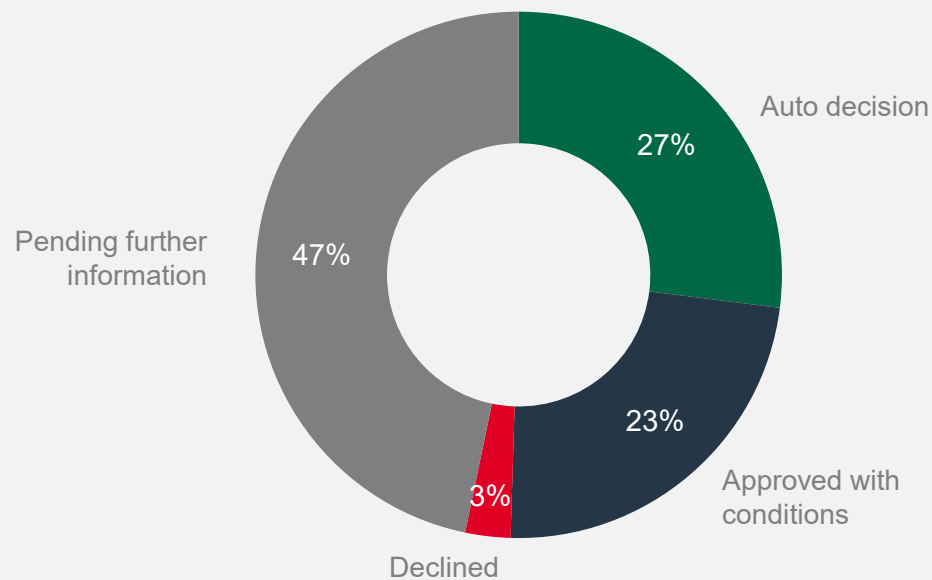
Approval rate¹

**27% auto approved
in 2 seconds**

And increasing as new platform is rolled out.

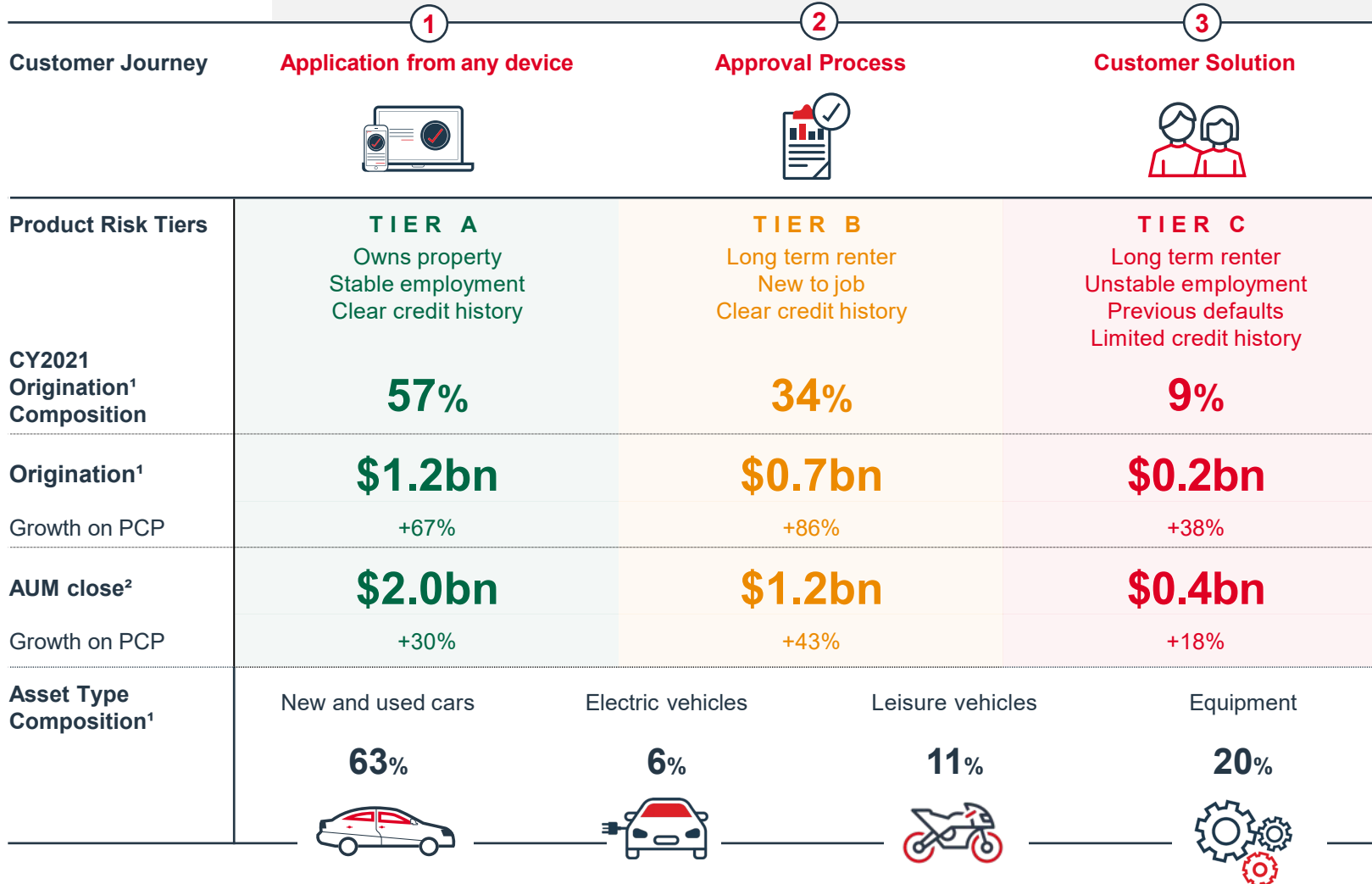


Response Type



Customer Solutions - Asset Finance

Automated approval within seconds



Overview of Distribution Channels¹

AUTO BROKER

Brokers who provide an online finance solution
26%

COMMERCIAL BROKER

SME brokers, typically focusing on equipment finance solutions
28%

CAR DEALER

Typically large used car dealer operations
18%

MORTGAGE BROKER

Arrange car loans alongside mortgages
19%

NOVATED LEASE

Supporting the salary packaging industry
3%

PARTNERSHIPS

OEM and distribution partner
6%

Core Productivity¹
+70%

Technology delivering scale & efficiency

MORTGAGES

Pepper Sage – Underwriting

Automation of simple solicitor instructions

Digital ID deployed

AVM providing instant valuation

Desktop valuations average 4 hours

47% application² flow through new system

OPERATIONS

Pepper Apollo – service task automation

Collections transaction effort⁴

14% reduction in Mortgages
32% reduction in Asset Finance

Collections Activity
4.5 FTE per month saved⁵

Hardship Activity
0.4 FTE per month saved⁵

\$19m collected⁶

ASSET FINANCE

Pepper Solana – API Connect

Full suite of API delivering seamless integration

Biometrics pilot commenced

53% increase in productivity³ for Credit & Settlement Officers to process applications

Integrated Digital Platform



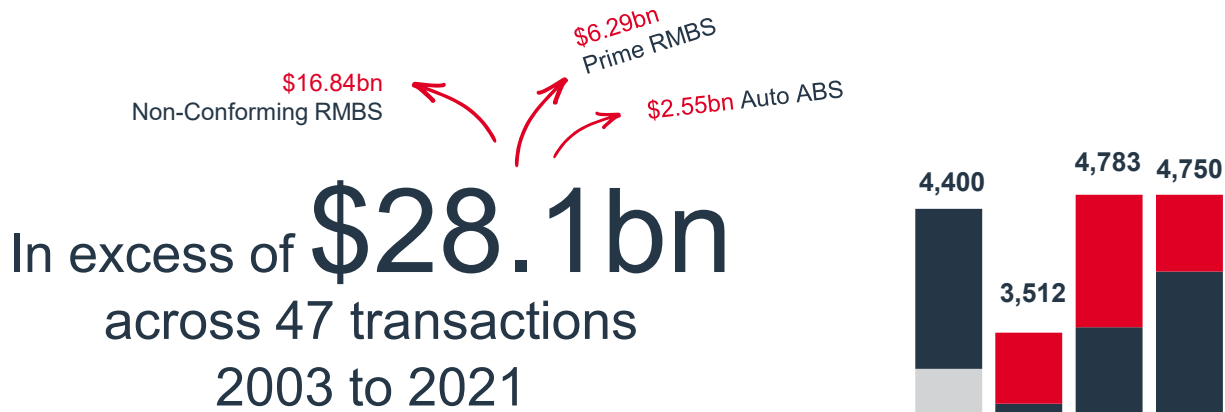
EFFICIENCY



SCALE

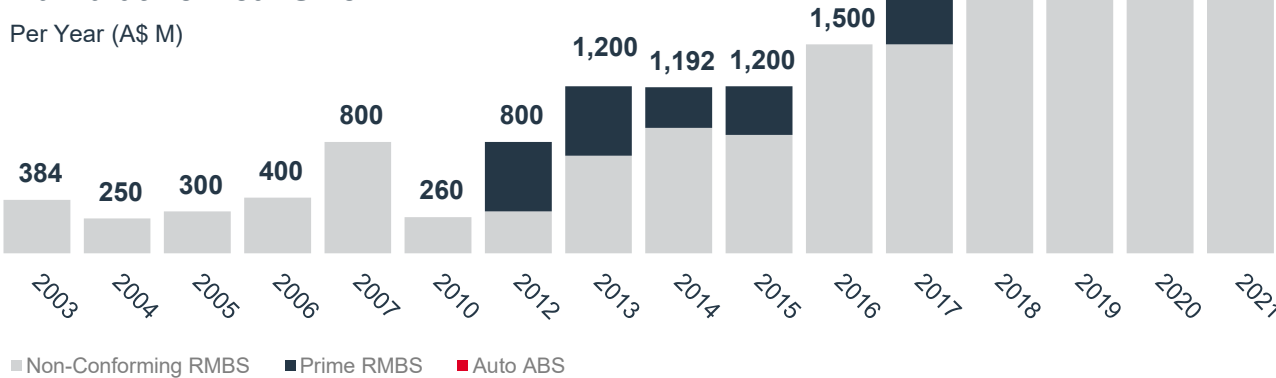


Funding performance



Cumulative Deal Size

Per Year (A\$ M)



2H CY2021 Highlights

SECURITISATION I-PRIME Margin² vs 2H 2020
I-Prime 2021-2 at \$0.85bn issued September 2021

65 bps

Better than I-Prime 2020-1

SECURITISATION PRS Margin² vs 2H 2020
PRS 30 at \$0.85bn issued August. PRS 31 at \$0.75bn issued November 2021

63 / 51 bps

Better than PRS28 respectively

WAREHOUSE¹

Additional \$2.4bn capacity added for Prime & Non Conforming Mortgages

ABS

Sparkz4 \$0.80bn issued December 2021

Margin² vs 2H 2020

35 bps

Better than SPARKZ3

TOTAL CAPACITY¹

As at 31 December 2021

Limit

\$9.9bn

Up 31% on PCP

CY2021 in summary

Listed 25
May 2021



Delivered
record
originations



Grew market
share



Double digit
AUM growth



Strong
Asset quality



Productivity
gains –
investment
for scaled
growth



Funding
\$9.9bn –
capacity up
31%



Customer
and partner
engagement



Record
number of
industry
awards



Employee
Engagement
10% high
performing
companies
globally



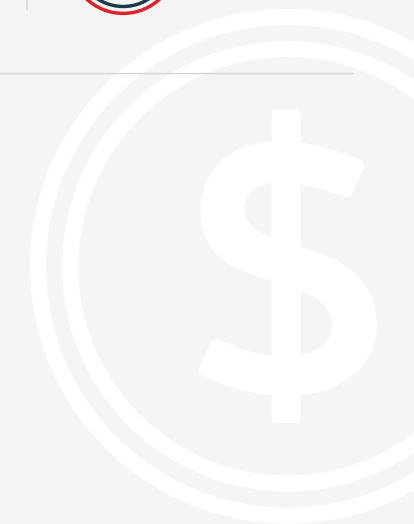
Overachieved
IPO Pro-forma
NPAT forecast
by **\$21.2m**



Strong
capital
position



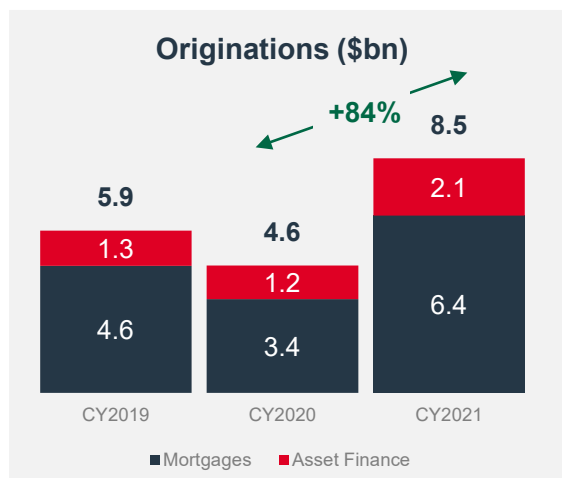
Dividend
yield¹ 5.5%
annualised
fully franked



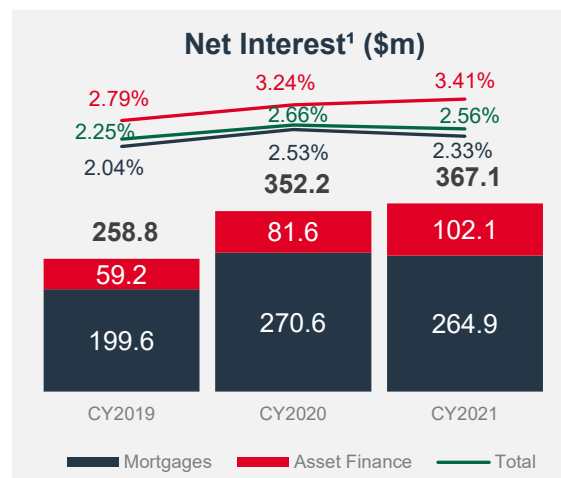
Financial performance (Pro-forma)

Calendar year to December

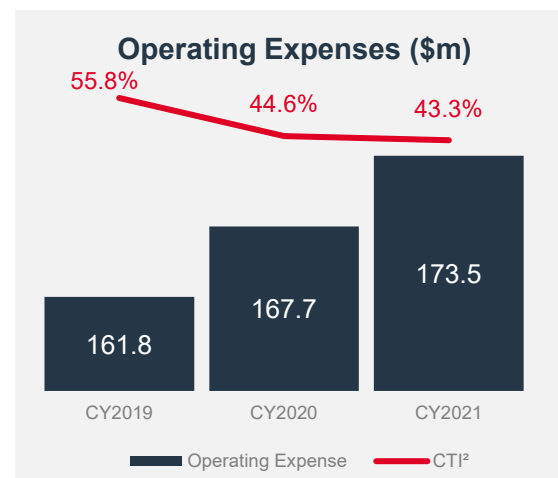
VOLUME



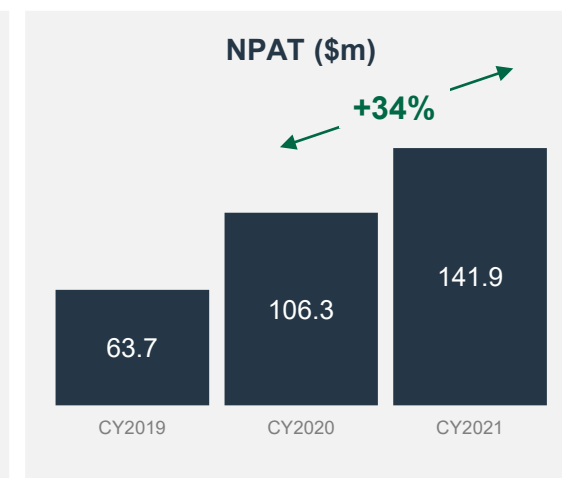
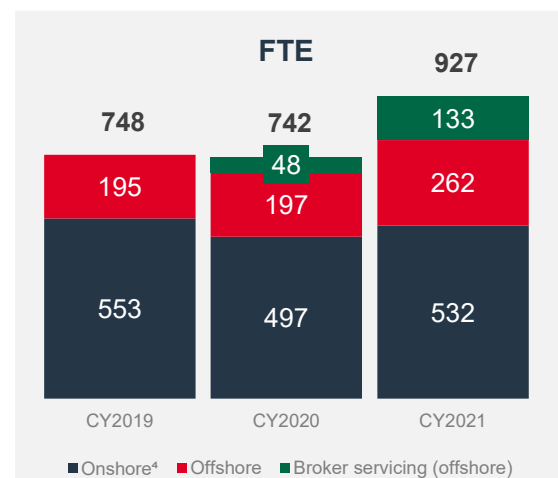
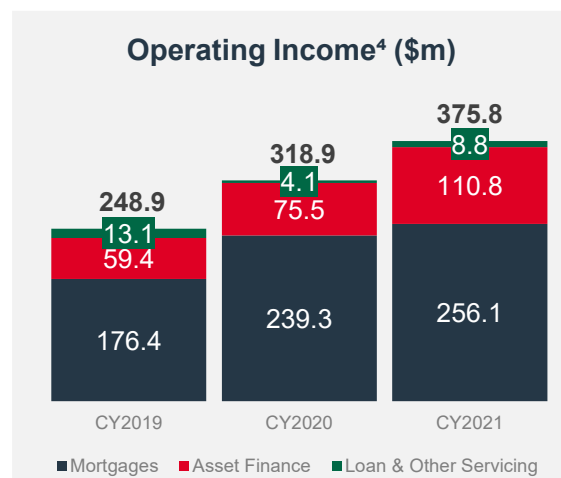
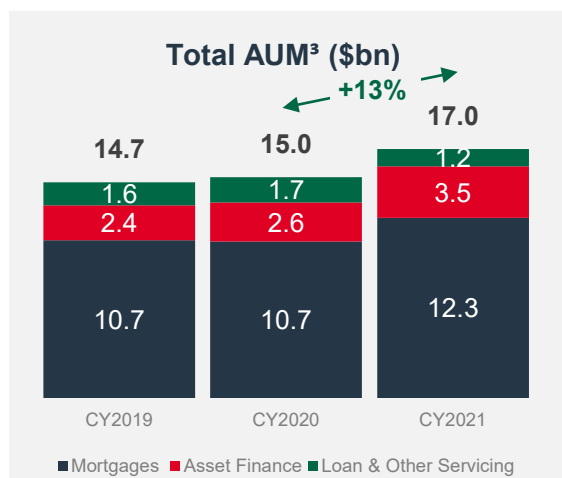
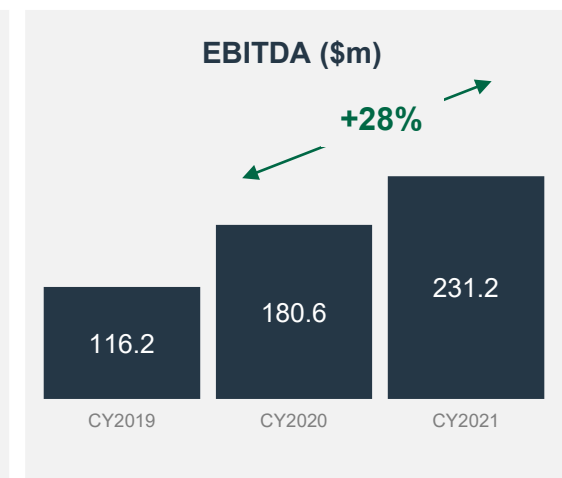
INCOME



EXPENSES / FTE

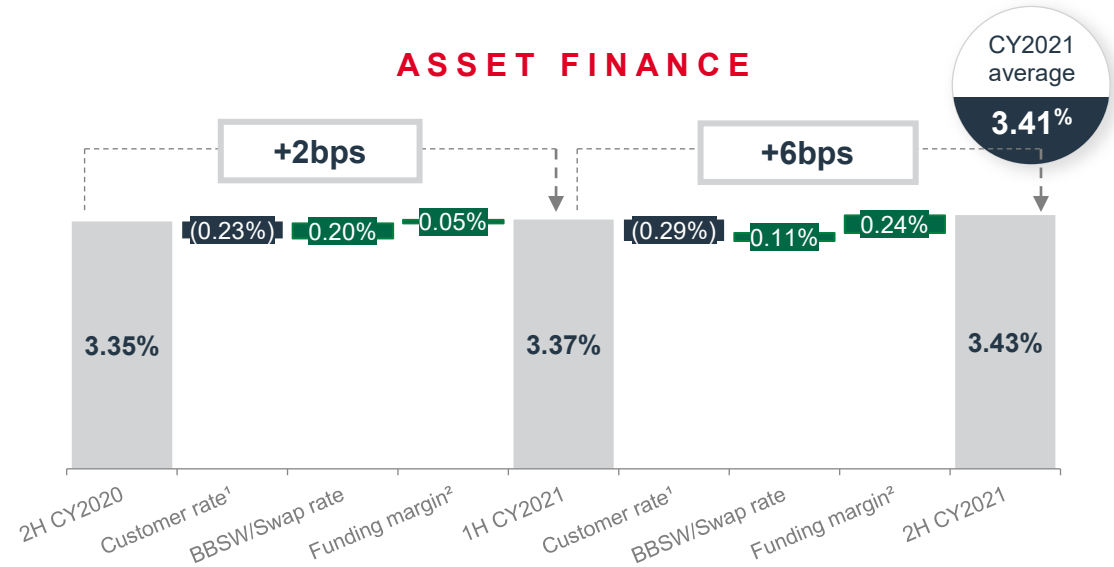
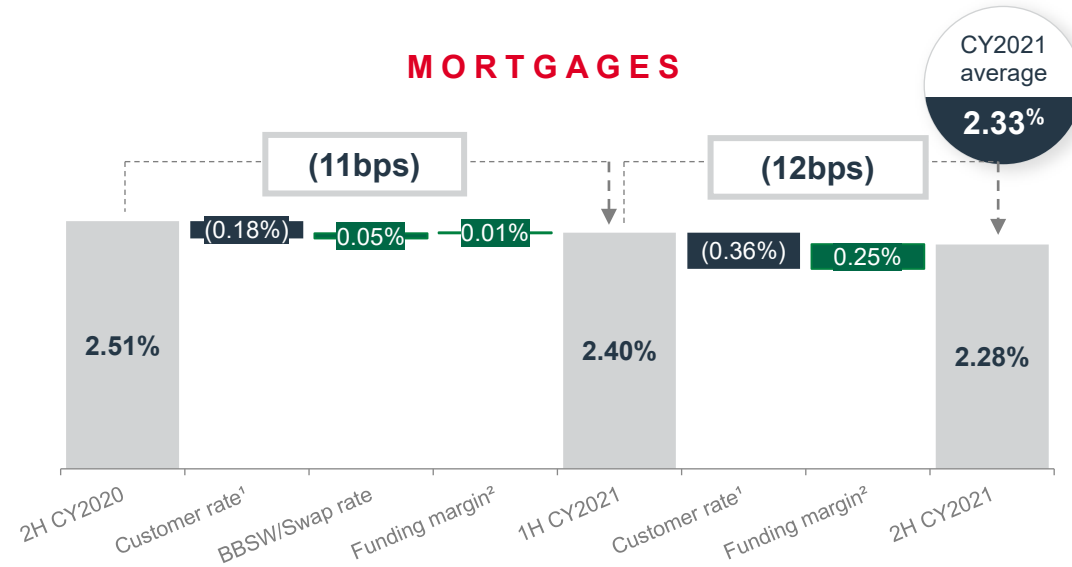
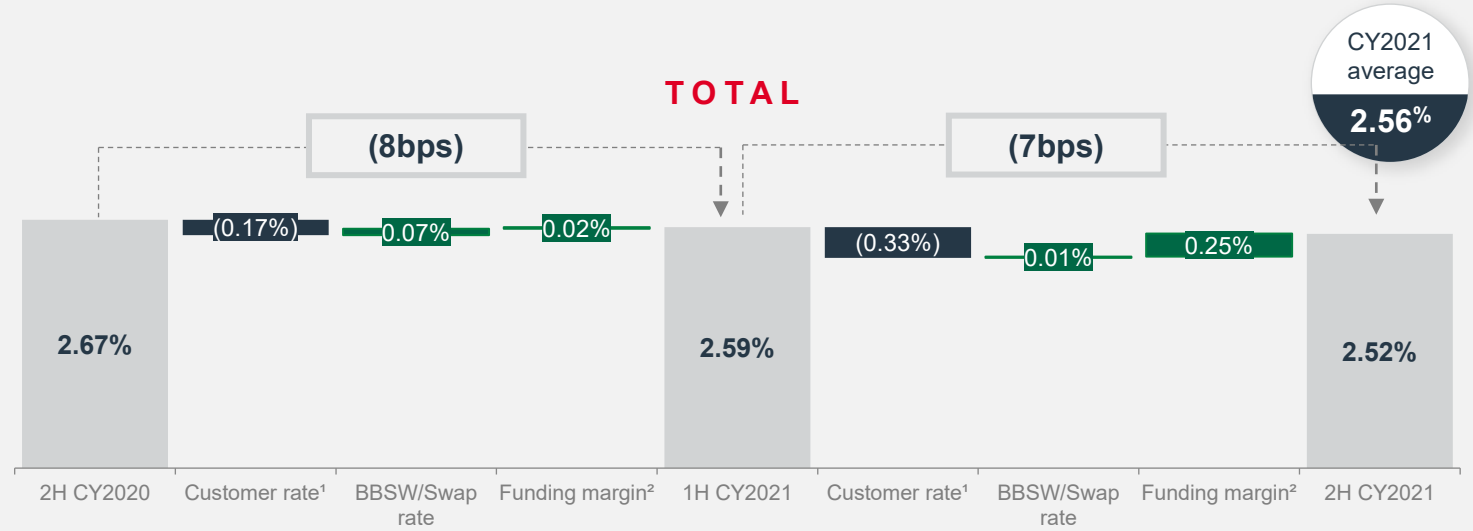


PROFIT



NIM movement

- **Total** NIM decreased over CY2021
- **Strong mix** contribution from Asset Finance helped to offset the compression in Mortgages NIM.

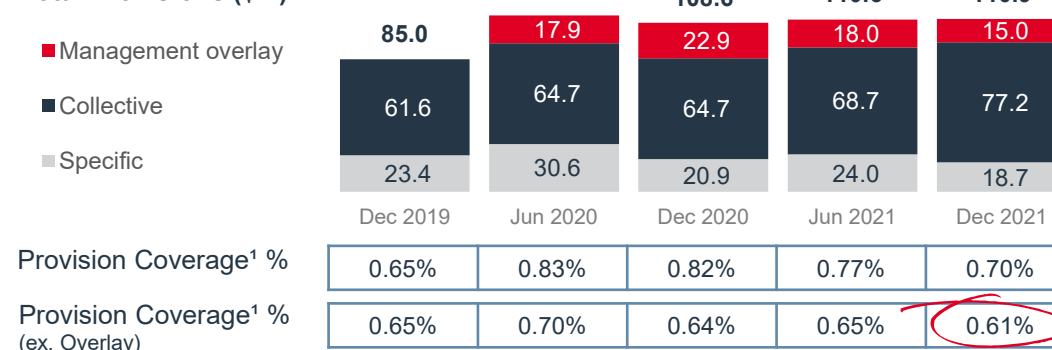


Loan loss expense & provision

Total loan loss provision closed at \$110.9 million, a marginal increase from \$108.6 million in PCP despite growing asset base – reflects economic conditions and improved outlook. Provision coverage (excluding COVID-19 Management overlay) **remains fairly consistent with coverage at 0.61%**.

Loan loss expense \$M	Half Year Ending			
	Dec 2021	Jun 2021	Dec 2020	Jun 2020
Mortgages				
Specific	0.5	0.7	2.3	2.5
Collective: base	0.0	-	0.0	0.7
COVID Management overlay	(3.0)	-	4.0	11.8
Mortgages loan loss expense	(2.5)	0.7	6.3	15.0
Asset Finance				
Specific	5.2	14.4	5.9	19.5
Collective: base	8.1	4.0	(0.0)	2.4
COVID Management overlay	-	(5.0)	1.0	6.2
Asset Finance loan loss expense	13.3	13.4	6.9	28.1
Loan and Other Servicing loan loss expense	(0.4)	-	0.4	0.1
Total				
Specific	5.4	15.1	8.5	22.2
Collective: base	8.1	4.0	0.0	3.1
COVID Management overlay	(3.0)	(5.0)	5.0	17.9
Total loan loss expense	10.5	14.1	13.5	43.2

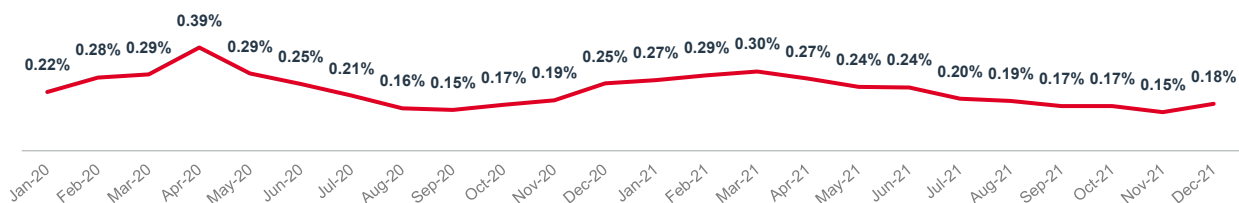
Total Provisions (\$M)



Mortgage 90+ day arrears² as % of AUM³



Asset Finance 90+ day arrears^{2 4} as % of AUM

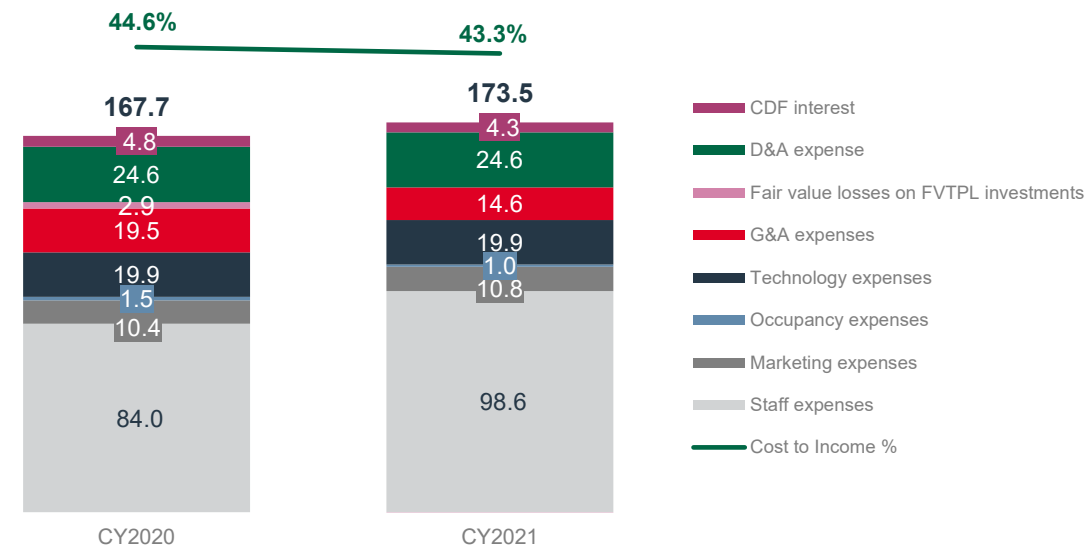


Pro-forma expenses

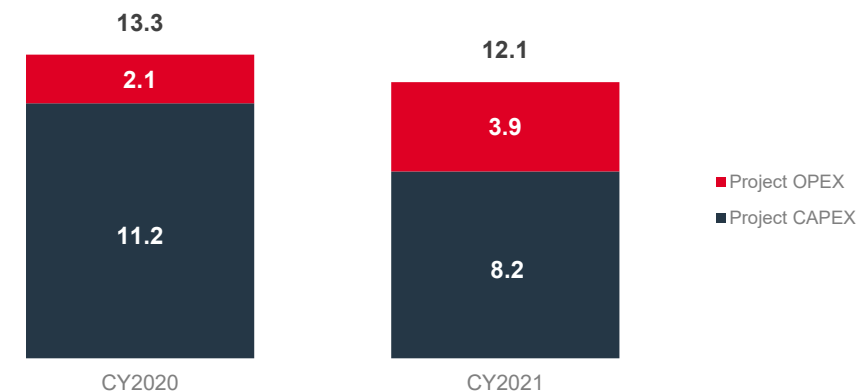
Calendar year to December

\$M	Calendar Year		Change B/(W)
	2021	2020	
Employee benefits expense	(98.6)	(84.0)	(17.4%)
Marketing expense	(10.8)	(10.4)	(3.3%)
Technology expense	(19.9)	(19.9)	(0.0%)
General and admin expense	(14.6)	(19.5)	25.4%
Occupancy expense	(1.0)	(1.5)	34.0%
Fair value losses on FVTPL investments	0.2	(2.9)	Lge
Total operating expense	(144.6)	(138.3)	(4.6%)
Depreciation and amortisation expense	(24.6)	(24.6)	0.2%
Corporate interest expense	(4.3)	(4.8)	10.2%
Total expense	(173.5)	(167.7)	(3.5%)

Operating Expenses Calendar Year (\$m)



Capital Expenditure Calendar Year (\$m)



Pro-forma Income statement

Calendar year to December

\$M	Calendar Year		Change B/(W)
	2021	2020	
Interest income	690.3	705.9	(2.2%)
Interest expense	(323.7)	(353.7)	8.5%
Net interest income from continuing operations	366.6	352.2	4.1%
Net lending fees	12.7	6.5	94.7%
Whole loan sales gain	9.5	9.6	(0.7%)
Loan losses	(24.6)	(56.7)	56.7%
Servicing fees and other income	11.6	7.3	59.1%
Total operating income from continuing operations	375.8	318.9	17.8%
Employee benefits expense	(98.6)	(84.0)	(17.4%)
Marketing expense	(10.8)	(10.4)	(3.3%)
Technology expense	(19.9)	(19.9)	(0.0%)
General and administration expense	(14.6)	(19.5)	25.4%
Occupancy expense	(1.0)	(1.5)	34.0%
Fair value losses on FVTPL	0.2	(2.9)	Lge
EBITDA	231.2	180.6	28.0%
Depreciation and amortisation expense	(24.6)	(24.6)	0.2%
Corporate interest expense	(4.3)	(4.8)	10.2%
Profit before income tax from continuing operations	202.3	151.2	33.8%
Income tax expense	(60.4)	(44.9)	(34.5%)
Net profit after income tax from continuing operations	141.9	106.3	33.5%

Pro-forma Metrics

Calendar year to December

\$M	Calendar Year		Change B/(W)
	2021	2020	
Volume			
Originations - Mortgages	6,403	3,383	89.3%
Originations - Asset Finance	2,069	1,218	69.8%
Total Originations	8,472	4,601	84.1%
AUM lending - Mortgages	12,272	10,663	15.1%
AUM lending - Asset Finance	3,514	2,645	32.8%
AUM lending	15,785	13,308	18.6%
AUM servicing	1,176	1,734	(32.2%)
Total AUM	16,961	15,043	12.8%
Income			
Operating income - Mortgages	256.1	239.3	7.0%
Operating income - Asset Finance	110.8	75.5	46.7%
Operating income – Loan and Other Servicing	8.8	4.1	114.7%
Total operating income	375.8	318.9	17.9%
Profitability			
Net interest margin ¹ - Mortgages	2.33%	2.53%	(20bps)
Net interest margin ¹ – Asset Finance	3.41%	3.24%	17bps
Total net interest margin¹	2.56%	2.66%	(10bps)
Employee benefits expense / Total operating income	26.2%	26.3%	0.1%
Employee cost per FTE (\$'000)	106.4	113.1	6.0%
Cost-to-income ratio ²	43.3%	44.6%	1.3%
Asset Quality			
Total losses ³ (ex. Overlay ⁴)% AUM lending - Mortgages	0.01%	0.05%	4bps
Total losses ³ (ex. Overlay ⁴)% AUM lending – Asset Finance	1.06%	1.11%	5bps
Total losses³ (ex. Overlay⁴)% AUM lending	0.23%	0.25%	2bps
Return			
Total operating income yield	2.4%	2.1%	0.3%
Return on average equity	25.0%		
Dividend yield⁵ (annualised)	5.5%		

Outlook



STRONG FINISH TO 2021

Applications pipeline Q4 up

- Mortgages +59%
- Asset Finance +60%

Warehouses

\$9.9bn

New product pipeline

Near Prime Clear in pilot

Distribution

- Increased number of active brokers
- Increased usage per broker
- Increased share of distribution partners

Cash position provides strategic flexibility to fund growth initiatives

SETS US UP FOR 2022 AND BEYOND

Target **500,000 customers** by 2023

Funding capacity up 31% at end CY2021: positioned for growth. Further funding opportunities in play

New products to roll from Q2 CY2022

Growth from CY2020/21 initiatives

- Mortgages: New Zealand & Commercial Real Estate
- Asset Finance: Novated Lease, EV Lending, Partnerships

Annualised gains – productivity & efficiency

EXTERNAL FACTORS

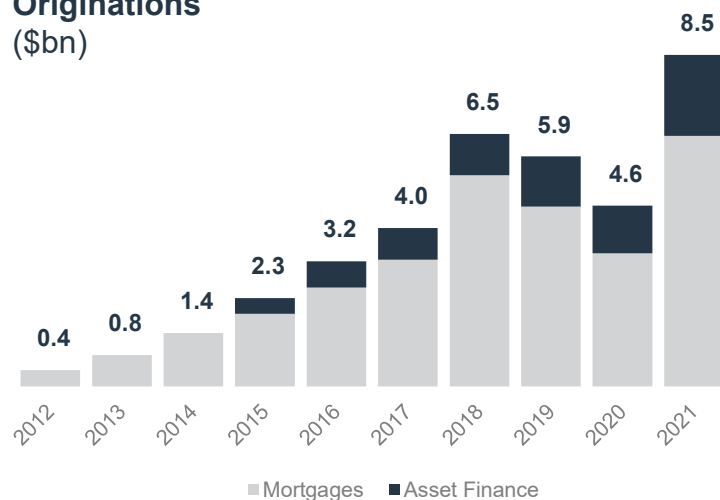
Possible COVID-19 related disruptions
Interest rate rises
Macroeconomics

Outperformed CY2021...

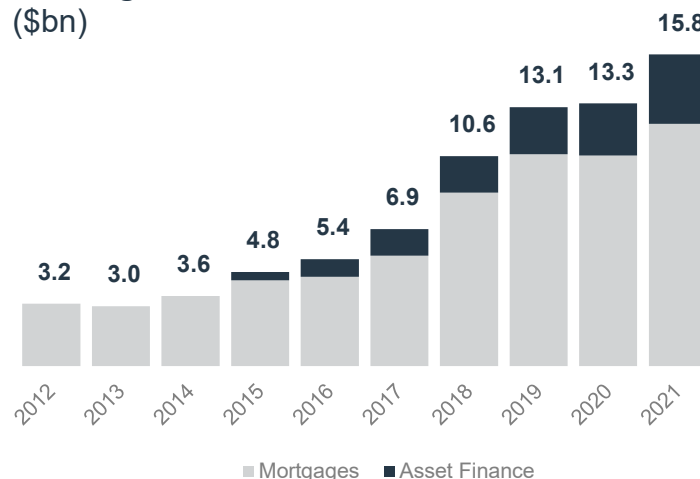
<p>Pro-forma NPAT \$141.9m ↑ 34% on PCP 18% ahead of IPO Forecast of \$120.7m</p>	<p>Delivered record originations \$8.5bn</p>	<p>Grew market share • Mortgage 2.6x system • Asset Finance 8.2x system</p>	<p>Double digit growth Total AUM \$17.0bn ↑ 13%</p>	<p>Strong Asset quality Loan Loss % AUM¹ 2bp improvement</p>	<p>Productivity gains Investment for scaled growth</p>	<p>Funding capacity \$9.9bn ↑ 31%</p>
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Our proven track record...

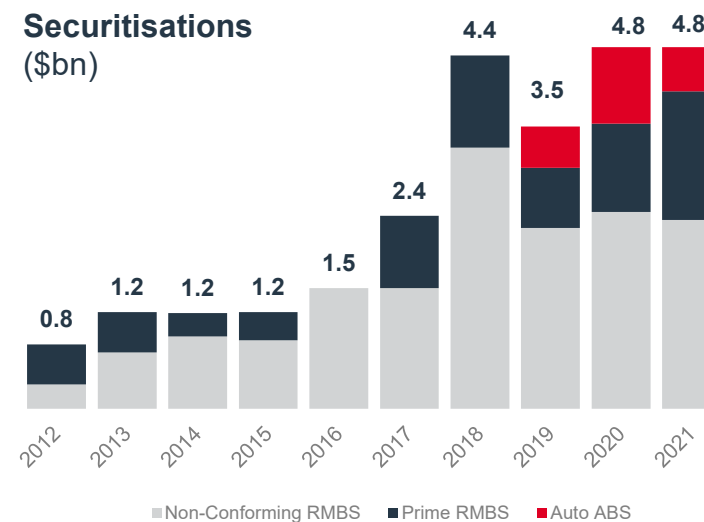
Originations
(\$bn)



Lending AUM
(\$bn)



Securitisations
(\$bn)



Questions & Answers

THANK YOU

on behalf of all of Pepper Money

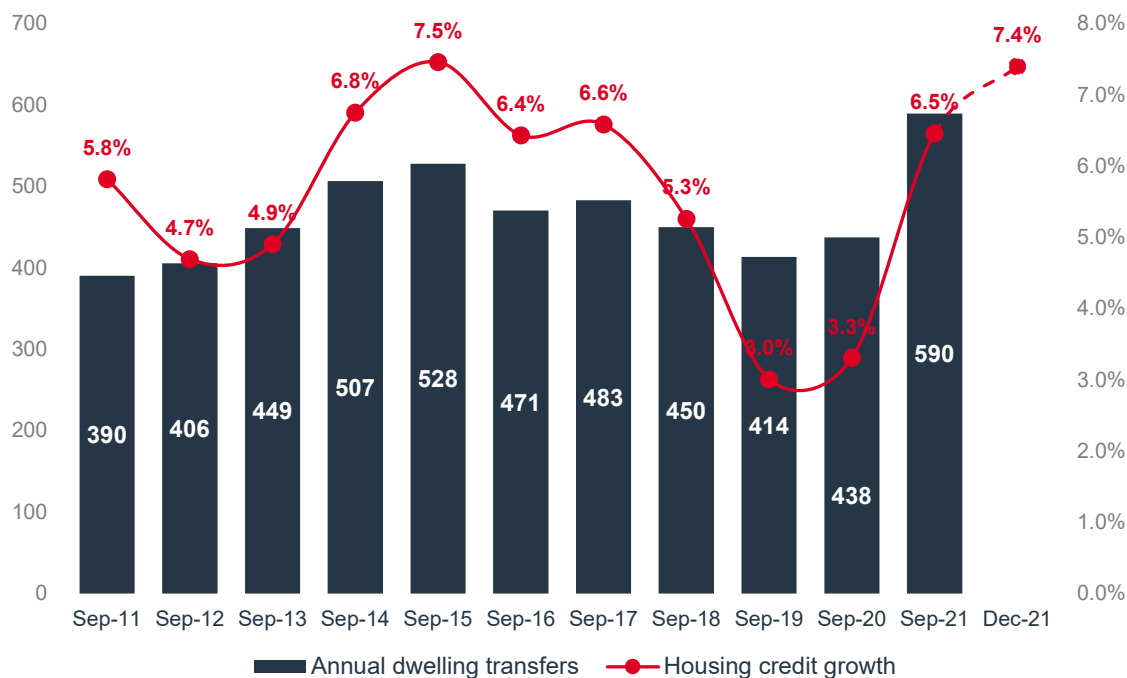


Appendices

Housing activity remains elevated in Australia

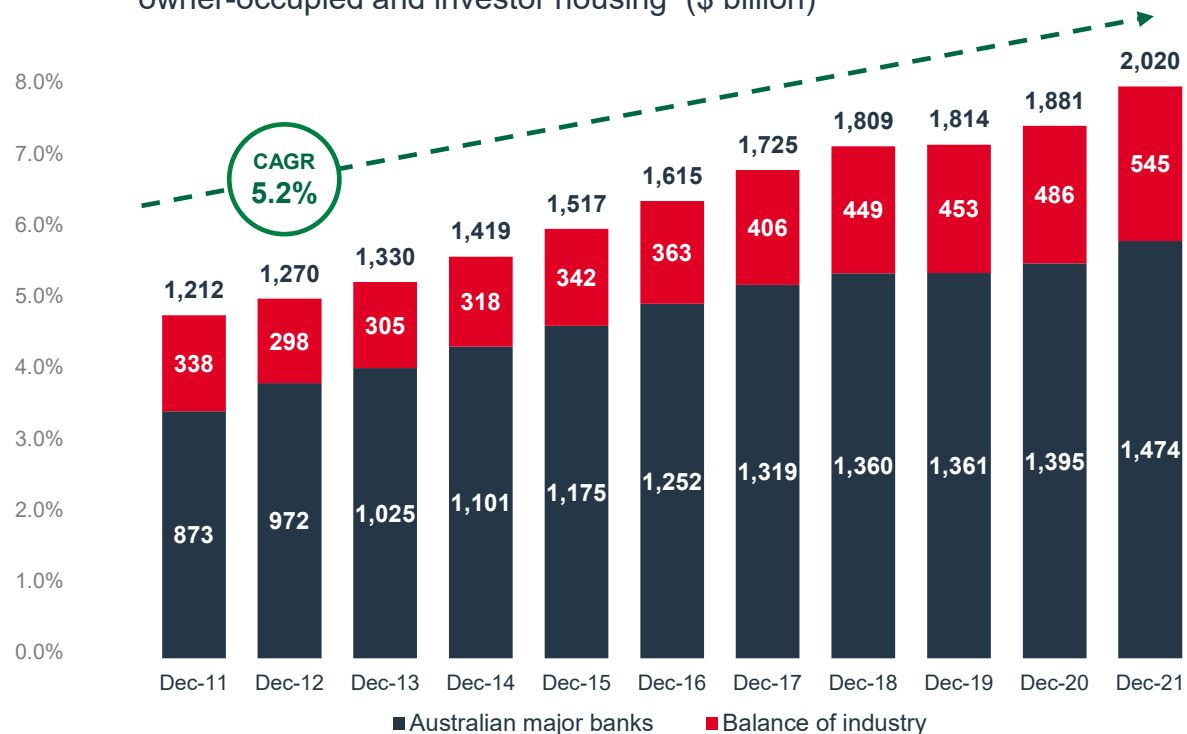
Housing activity remains robust

Annual dwelling transfers and 12-month credit growth – housing¹ ('000)



Supporting growth in credit

Credit outstanding to Australian households for owner-occupied and investor housing² (\$ billion)



The asset finance market in Australia continues to undergo consolidation



April
Macquarie acquired a portfolio of approx. 60,000 retail auto leases and loans from GMAC Australia, with the portfolio valued at approx. \$1 billion

October
Westpac acquired select businesses of Lloyd's Banking Group Australia, including Capital Finance. The asset acquired included a motor vehicle finance book of \$3.9 billion and equipment finance book of \$2.9 billion

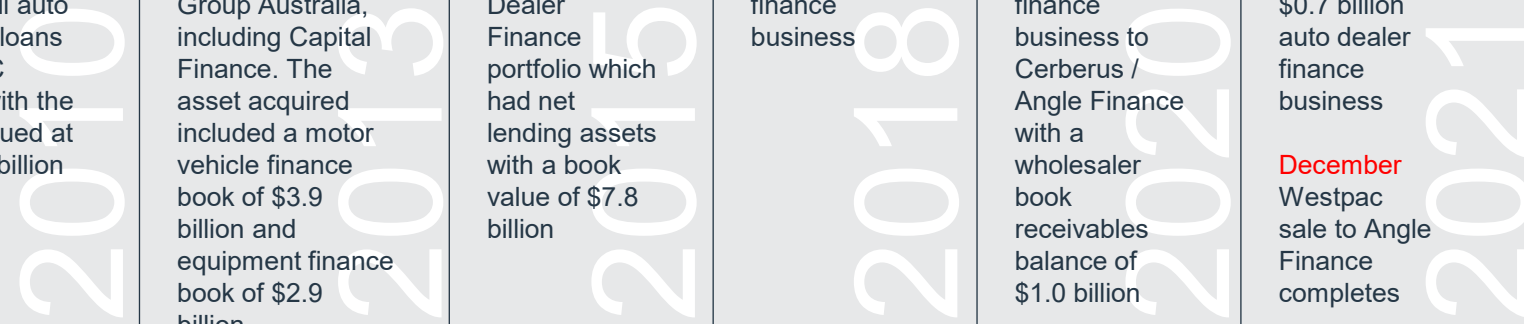
October
Macquarie acquired ANZ's Esanda Dealer Finance portfolio which had net lending assets with a book value of \$7.8 billion

March
ANZ Bank suspended its retail asset finance business

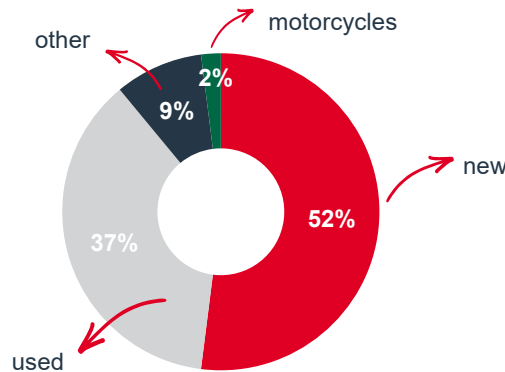
June
Westpac announced its sale of auto finance business to Cerberus / Angle Finance with a wholesaler book receivables balance of \$1.0 billion

September
Allied Credit acquires Macquarie's \$0.7 billion auto dealer finance business

December
Westpac sale to Angle Finance completes

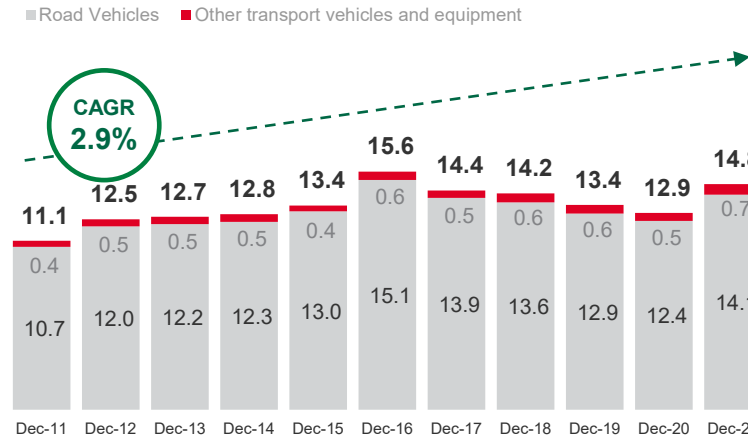


Composition of Australian consumer vehicle and transport equipment financing (New loan commitments for the 12 months to November 2018)¹



New and used cars make up the vast majority of consumer vehicle financing

Australian consumer vehicle and transport equipment financing² (\$ billion p.a.)

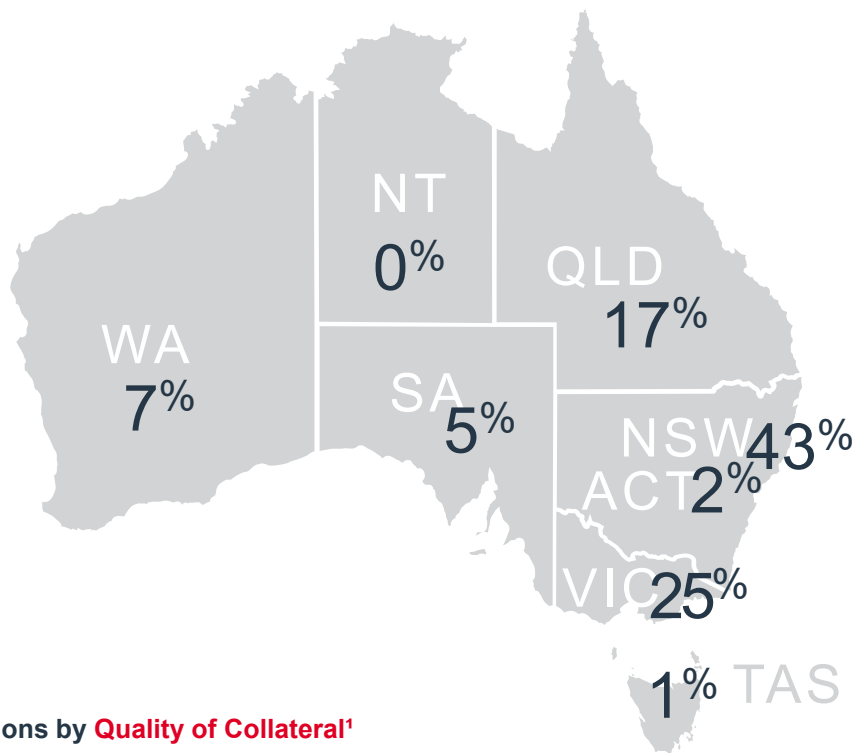


Road vehicles are the largest component of the asset finance market

Mortgages portfolio

Composition

CY2021 originations by **Geography**¹



CY2021 Originations by **Quality of Collateral**¹



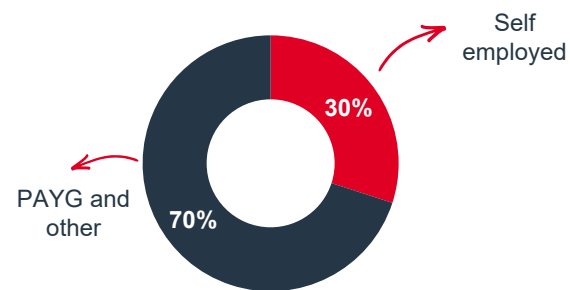
CY2021 AUM (close) **Weighted Average Indexed LVR**²

56%

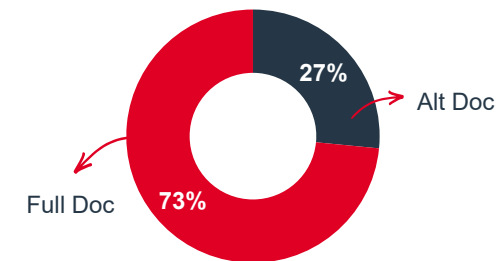
Australia residential mortgage portfolio



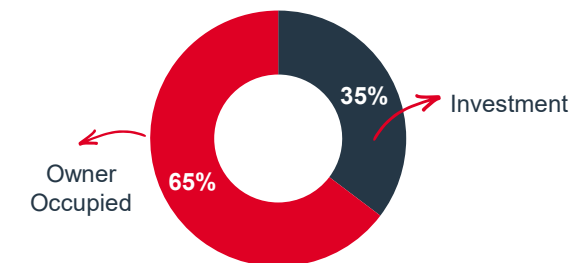
CY2021 originations by **Employment Type**³



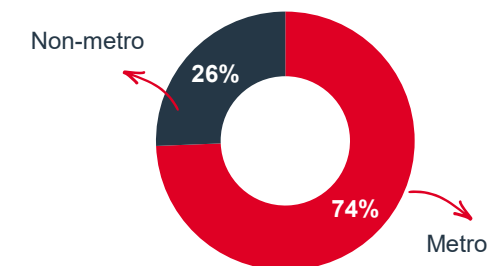
CY2021 originations by **Loan Type**¹



CY2021 originations by **Occupancy Classification**¹

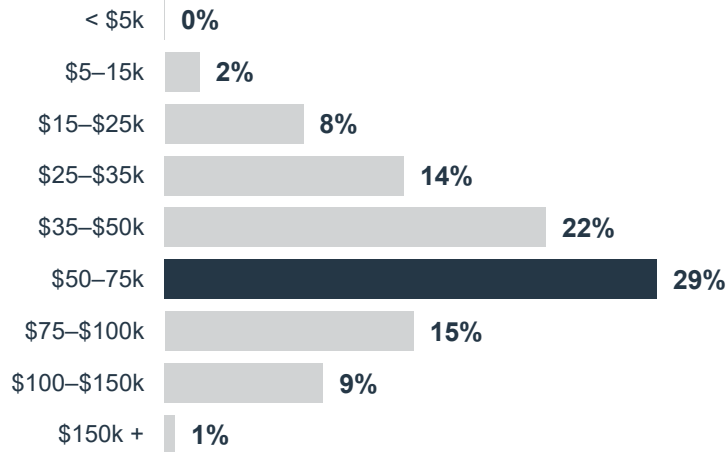


CY2021 originations by **Region**¹

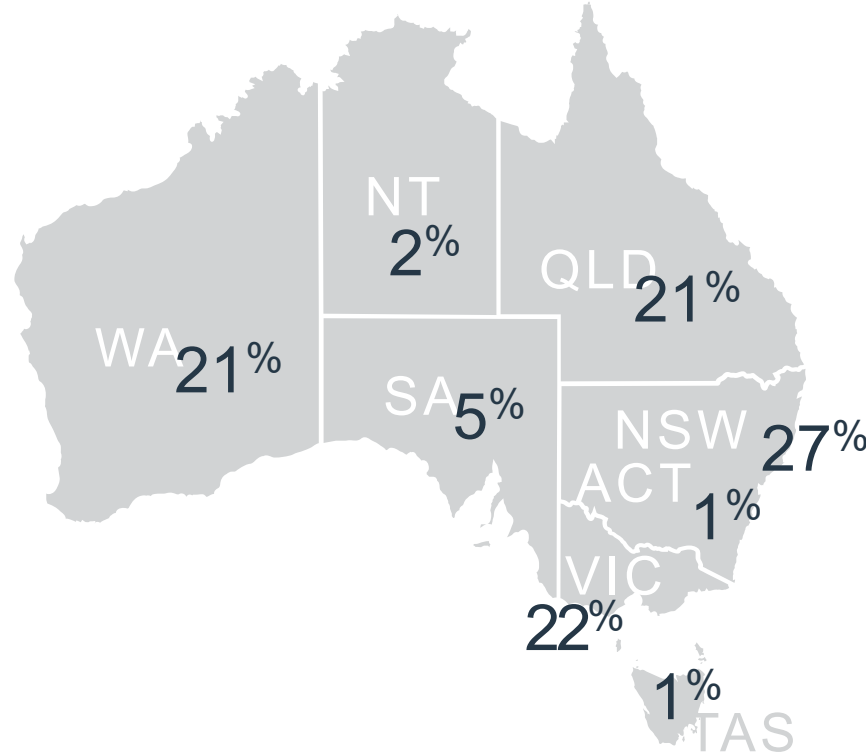


Asset Finance portfolio Composition

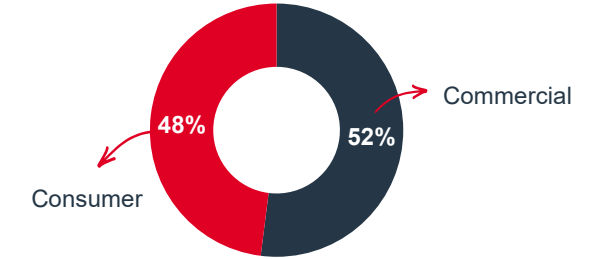
CY2021 originations by **Original Loan Size**¹



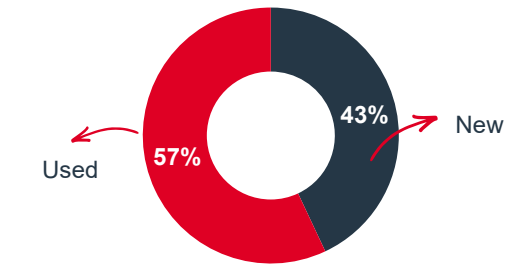
CY2021 originations by **Geography**¹



CY2021 originations by **Customer Type**¹



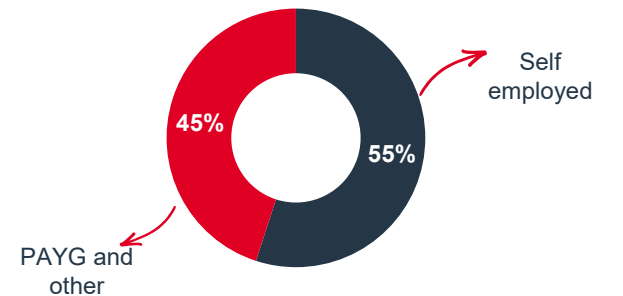
CY2021 originations by **Asset Condition**¹



CY2021 Originations by **Asset Category**¹



CY2021 originations by **Employment Type**³



Pepper Money was the most active non-bank issuer in CY2021¹



Residential Mortgages Backed Securities



Asset Backed Securities

March

\$750m

Margin 104bps

iPrime 2021-1

May

\$750m

Margin 113bps

PRS 29

August

\$850m

Margin 110bps

PRS 30

September

\$850m

Margin 89bps

iPrime 2021-2

November

\$750m

Margin 122bps

PRS 31

December

\$800m

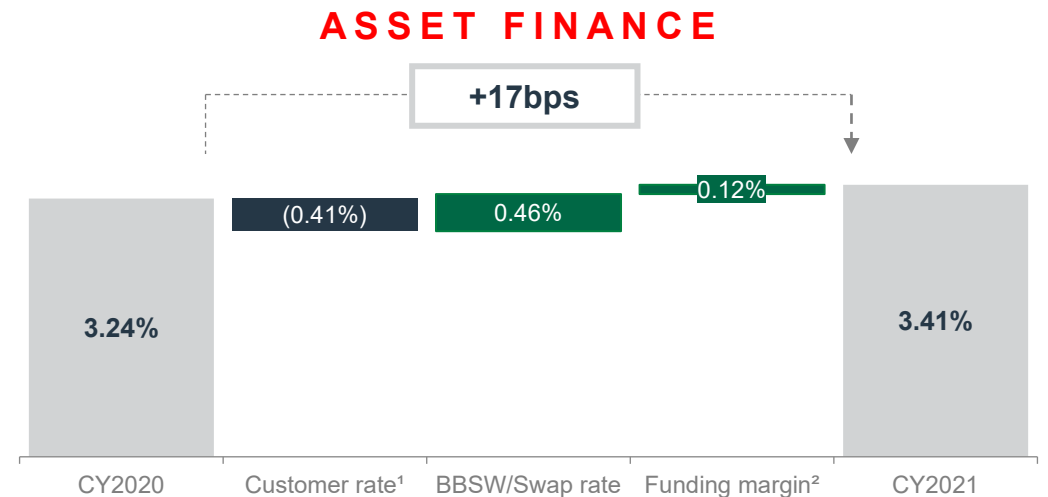
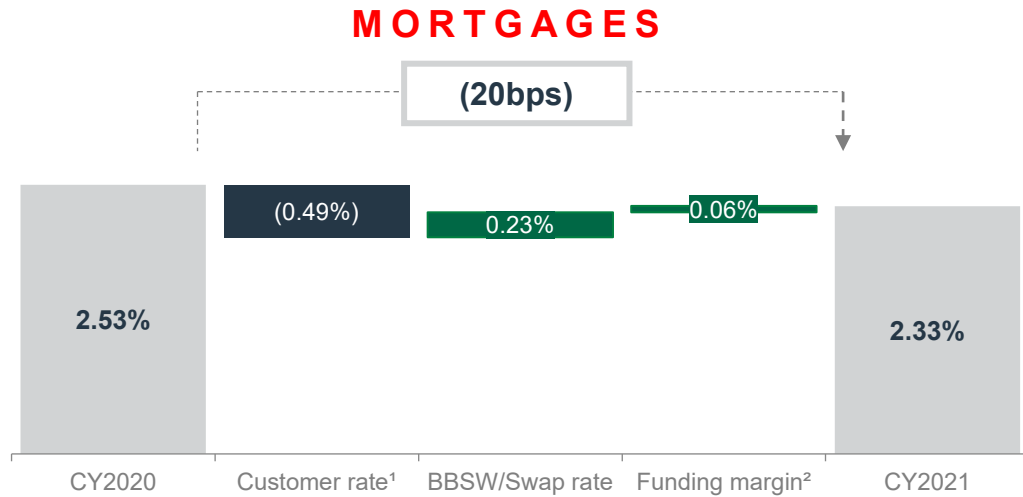
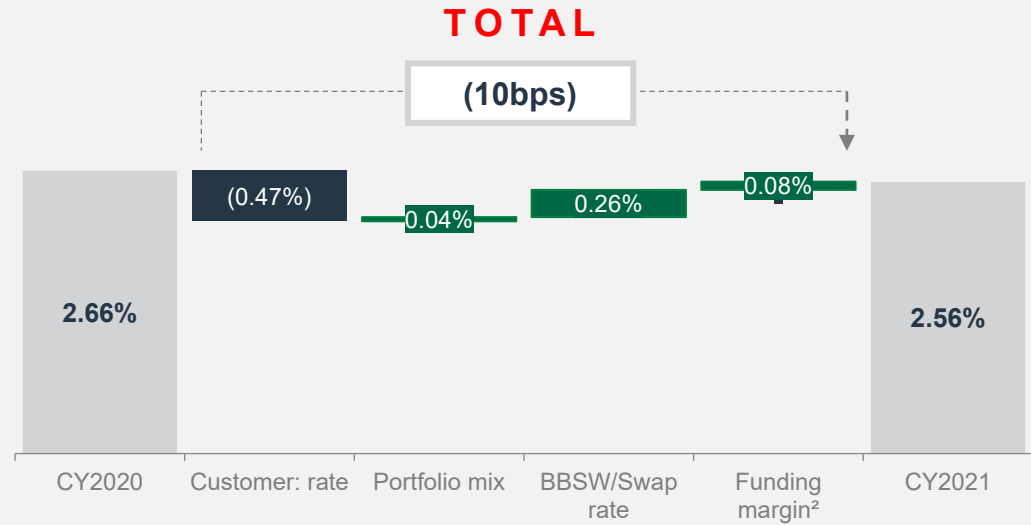
Margin 132bps

SPARKz4

Note: Margin - WAMOT excluding G notes

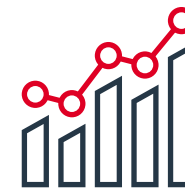
NIM movement

- **Total** NIM decreased over CY2021
- **Strong mix** contribution from Asset Finance helped to offset the compression in Mortgages NIM.



Pro-forma adjustments

Statutory to Pro-forma calendar year to December



\$M	Dec 2021
Statutory NPAT	130.7
Public company costs	(0.2)
Employee remuneration plans	(0.2)
Corporate debt costs	7.9
Offer costs	8.6
Tax impact of adjustments	(4.9)
Pro-forma NPAT	141.9

Pro-forma items are classified in line with the Prospectus

Public company costs

Includes ongoing ASX fees, D&O insurance and Co Sec expenses for CY2021

Corporate debt costs

Removal of legacy corporate funding arrangements and incorporating new funding on an annualised basis

Employee remuneration plans

Adjustment to reflect new remuneration structures for the full year

Offer costs

One-off transaction costs associated with the IPO

Statutory Income statement

Half Year vs Half Year

\$M	Half year ending				Change B/(W)
	2H 2021	1H 2021	2H 2020	1H 2020	2H 2021 v 1H 2021
Interest income	351.4	338.9	345.5	360.4	3.7%
Interest expense	(161.0)	(162.7)	(166.2)	(187.5)	1.0%
Net interest income from continuing operations	190.4	176.2	179.3	172.9	8.1%
Lending fee income	31.6	28.3	24.7	26.6	11.7%
Lending expense	(24.4)	(22.8)	(21.9)	(22.9)	(7.0%)
Whole loan sales gain	5.0	4.5	4.8	4.8	11.1%
Loan losses	(10.5)	(14.1)	(13.5)	(43.2)	25.5%
Servicing fees and other income	6.5	5.1	3.2	4.1	27.5%
Total operating income from continuing operations	198.6	177.2	176.6	142.3	12.1%
Employee benefits expense	(49.9)	(48.4)	(39.1)	(42.6)	(3.1%)
Marketing expense	(6.3)	(4.5)	(5.8)	(4.6)	(40.0%)
Technology expense	(10.3)	(9.6)	(10.9)	(9.0)	(7.3%)
General and administration expense	(8.2)	(17.4)	(12.0)	(9.3)	52.9%
Fair value gains or losses on financial assets	0.2	-	(2.9)	-	-
Fair value losses on financial assets	(0.3)	-	(2.6)	-	-
Depreciation and amortisation expense	(13.8)	(10.7)	(11.8)	(12.6)	(29.0%)
Corporate interest expense	(3.6)	(6.7)	(7.7)	(6.5)	46.3%
Operating expenses from continuing operations	(92.2)	(97.3)	(92.8)	(84.6)	5.2%
Profit before income tax from continuing operations	106.4	79.9	83.8	57.7	33.2%
Income tax expense	(31.7)	(23.9)	(24.1)	(18.0)	(32.6%)
Net profit after income tax from continuing operations	74.7	56.0	59.7	39.7	33.4%
Profit/(loss) from discontinued operations	4.1	182.2	(58.2)	(71.2)	(97.7%)
Net profit/(loss) after income tax	78.8	238.2	1.5	(31.5)	(66.3%)

Balance Sheet

Statutory

KEY MOVEMENTS

Assets and Liabilities distributed or sold

Assets disposed of under the Restructure to separate Australia, New Zealand and the shared service operation in the Philippines from rest of world.

Issued Capital

Issued additional ordinary shares as part of an IPO which raised \$500.1m in gross proceeds, partly offset by a capital reduction of \$395.5m relating to the Restructure.

Retained Earnings

Includes CY2021 earnings after tax less dividend repatriation and other minor equity movements relating to the Restructure.

Balance as at	Dec 2021 \$M	Dec 2020 \$M
Assets		
Cash and cash equivalents	1,309.2	885.5
Receivables	9.4	5.4
Loans and advances	15,819.8	13,310.8
Derivative financial assets	23.7	1.1
Other financial assets	23.0	19.6
Other assets	7.5	4.0
Deferred tax assets	37.5	52.3
Property, plant and equipment	6.6	13.6
Intangible assets	31.5	38.9
Assets held for sale or distribution	-	8,769.2
Total assets	17,268.2	23,100.4
Liabilities		
Trade payables	11.2	15.2
Current tax	39.2	37.8
Provisions	26.8	18.8
Borrowings	16,517.2	13,797.0
Derivative liabilities	17.5	86.7
Other liabilities	19.9	21.6
Liabilities directly associated with assets held for sale or distribution	-	8,388.4
Total liabilities	16,631.8	22,365.5
Total net assets	636.4	734.9
Equity		
Issued capital	729.3	601.8
Other equity	-	(19.5)
Other reserves	12.4	(45.6)
Retained earnings	(105.3)	197.2
Total equity attributable to owners of Pepper Money Limited	636.4	733.9
Non-controlling interests	-	1.0
Total equity	636.4	734.9



Experienced Executive

Pepper Money has a dedicated, focused executive team with the experience and proven track record, both at Pepper Money and externally, to **continue to grow and drive the business**



Mario Rehayem
Chief Executive Officer
20+ years | 11 years

Industry Years | Pepper Years



Therese McGrath
Chief Financial Officer

25+ years | 4 years



Anthony Moir
Treasurer

25+ years | 1 year



Barry Saoud
General Manager
Mortgages &
Commercial Lending

25+ years | Jul 2021



Ken Spellacy
General Manager,
Asset Finance

25+ years | 6 years



Sarah Pikardt
General Manager,
Marketing & Brand

14 years | 10 years



Steven Meek
Chief Information
Officer

23+ years | Oct 2021



Matthew Tinker
Chief Service
Officer

15 years | 10 years



Michael Vainauskas
Chief Risk Officer

30+ years | 1 year



Sue Kent
Chief Human
Resources Officer

25+ years | 12 years



John Williams
General Counsel &
Company Secretary

15+ years | 10 years

Glossary & Disclaimer

6

Glossary of Terms

- **Annualised Dividend Yield:** Dividend yield based on average share price from time of IPO to year end (25 May – 31 December 2021).
- **AUM – lending (closing):** assets under management originated and serviced (securitised and Pepper Money balance sheet lending).
- **AUM – servicing (closing):** assets under management portfolios of third parties which are serviced by Pepper Money.
- **Capital expenditure:** includes investment in property and equipment and intangible software and licensed assets.
- **Conditional Prepayment Rate (CPR):** an estimate of the percentage of a loan pool's principal that is likely to be paid off prematurely.
- **Cost-to-income (CTI) ratio:** total operating expenses including depreciation and amortisation and corporate interest expense divided by total operating income before loan losses.
- **EBITDA:** earnings before corporate interest expense, including the interest charge associated with AASB 16, income tax expense, depreciation (including the right of use asset recognised under AASB 16 relating to premise leases) and amortisation.
- **Employee benefits/ FTE:** employee benefits expenses divided by year-end full-time equivalents.
- **Employee benefits expense/Total operating income:** employee benefits expenses divided by total operating income.
- **FTE:** full time equivalent employee.
- **Net interest income:** interest charged on loans provided to borrowers (Mortgages and Asset Finance), income from Mortgage Risk Fee (MRF) / Loan Protection Fee (LPF), loan premium revenue and the funding costs and facility establishment costs associated with the debt raised to fund these assets. The net interest income is calculated using the Effective Interest Rate (EIR) which includes certain fees and costs incurred which are integral in bringing the loans or associated debt to account (such as upfront Distribution Partner commissions).
- **Net interest margin (NIM):** Year to December net interest income divided by average lending AUM for the relevant period.
- **NPAT:** net profit after tax.
- **Originations:** new loans originated during the period.
- **Other operating income:** lending fee income, lending expenses, whole loan sales gain and servicing fees and other income.
- **PCP:** refers to prior comparative period being December 2020 in this presentation.
- **Pro-forma:** As defined in Table 18 of Section 4.1 of the Prospectus lodged with ASIC on 7 May 2021
- **Total losses % average lending AUM:** Year to December loan loss expense divided by average lending AUM for the relevant period.
- **Total operating income:** includes net interest income, lending fee income, lending expenses, Whole loan sales gain, loan losses and servicing fees and other income.
- **Total operating income yield:** Year to December total operating income divided by average lending and servicing AUM for the relevant period.
- **90+ days past due % closing lending AUM:** loans where borrowers have not made the full payment of interest or principal for an amount exceeding 3 monthly instalments, divided by closing lending AUM.

Disclaimer

Summary information

This Presentation contains summary information about Pepper Money Limited (ACN 094 317 665) (**Pepper Money**) and its activities and is current only as at the date of this Presentation (unless specified otherwise). The material in this Presentation is given for informational purposes only, is in summary form and does not purport to be complete. It does not purport to summarise all information that an investor should consider when making an investment decision. It is intended to be read by a professional analyst audience in conjunction with Pepper Money's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au.

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Certain financial measures included in this Presentation, including Underlying EBITDA, Underlying EBIT, Underlying NPAT are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by the Australian Securities and Investments Commission (**ASIC**) and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Act and are not recognised under AAS and International Financial Reporting Standards (**IFRS**). Such non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although Pepper Money believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this Presentation.

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This Presentation and any related materials and cross-referenced information contain forward-looking statements, which may be identified by the use of terminology including 'may', 'will', 'would', 'could', 'should', 'expects', 'believes', 'targets', 'likely', 'plans', 'intends', 'aims', 'anticipates', 'estimates', 'continue', 'objectives', 'outlook' or similar expressions or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indicators of, and guidance on, future earnings and financial position and performance are also forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Pepper Money or any of its related entities (especially during the global COVID-19 pandemic), and which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Readers are cautioned not to place undue reliance on forward-looking statements.

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